

COMPANY NUMBER: 454043

ANNUAL REPORT AND ACCOUNTS

**Hellenic Petroleum Cyprus Limited**

31 DECEMBER 2003



# **Hellenic Petroleum Cyprus Limited**

## **ANNUAL REPORT AND ACCOUNTS 2003**

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# **Hellenic Petroleum Cyprus Limited**

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## **REPORT OF THE DIRECTORS**

### **Board of Directors**

Andreas Tzouros  
Sarantos Kyriakopoulos  
Yiannis Gregoriou  
Akis Pegasiou

The directors present their report and the accounts for the year ended 31 December 2003.

### **Principal activity and review of business**

The Company buys, sells and otherwise deals in petroleum products in Cyprus. It is the intention of the directors that this business will continue for the foreseeable future.

On 31 December 2002, under the Share Purchase Agreement between BP p.l.c., Hellenic Petroleum International A.G. and Hellenic Petroleum S.A., the called up share capital of BP Cyprus Limited was sold to Hellenic Petroleum International A.G., a company registered in Austria which is in turn a 100% subsidiary of Hellenic Petroleum S.A., a company registered in Greece.

On the same date, the Company was renamed to Hellenic Petroleum Cyprus Limited.

As part of the Share Purchase Agreement, on 1 December 2002 BP Cyprus Limited divested part of its business, namely aviation, marine and commercial lubricants with their related assets, to BP Eastern Mediterranean Limited.

### **Results and dividends**

The profit for the year after taxation of STG£2.535.701, when added to retained profit brought forward at 1 January 2003 of STG£11.999.018 (together with exchange adjustments taken directly to reserves of STG£1.133.451), after deducting dividends paid in 2004 of STG£4.900.000, gives a total retained profit carried forward at 31 December 2003 of STG£10.768.170.

### **Directors**

The present directors are listed above.

All of them were appointed on 31 December 2002 and served as directors throughout the financial year.

### **Directors' interests**

The interests of the directors holding office at 31 December 2003, other than directors of the ultimate parent undertaking, and their families, in the ordinary shares of Hellenic Petroleum S.A. were as set out below:

	<u>31 December 2003</u>	<u>31 December 2002</u>
Andreas Tzouros	2.000	2.000
Sarantos Kyriakopoulos	2.000	2.000
Yiannis Gregoriou	800	800

No director had any interest in the shares or debentures of subsidiary undertakings of Hellenic Petroleum S.A. at 31 December 2003.

# **Hellenic Petroleum Cyprus Limited**

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## **REPORT OF THE DIRECTORS**

### **Policy with respect to payment of suppliers**

It is the Company's policy to follow the CBI's prompt payment code of practice for all suppliers to the Company. A copy of the code of practice can be obtained from the CBI.


The number of days purchases represented by trade creditors at the year-end was 15.

### **Auditors**

Ernst & Young LLP will continue in office as the Company's auditor in accordance with the elective resolution passed by the Company under Section 386 of the Companies Act 1985.

By order of the Board

Akis Pegasiou



Director

..25/11/..... 2005

Registered Office  
One Angel Court  
16<sup>th</sup> Floor  
London EC2R 7HJ

### **STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE ACCOUNTS**

Company law requires the directors to prepare accounts for each financial year which give a true and fair view of the state of affairs of the Company and of its profit or loss for that period. In preparing those accounts, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the accounts; and
- prepare the accounts on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors are also responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and which enable them to ensure that the accounts comply with the Companies Act 1985. They are also responsible for taking reasonable steps to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

The directors confirm that they have complied with these requirements and having a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future, continue to adopt the going concern basis in preparing the accounts.

## **INDEPENDENT REPORT OF THE AUDITORS**

to the members of Hellenic Petroleum Cyprus Limited

We have audited the accounts for the year ended 31 December 2003, which comprise Profit and Loss Account, Balance Sheet, Statement of Total Recognised Gains and Losses, accounting policies and the related notes 1 to 21. These accounts have been prepared on the basis of the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

### **Respective responsibilities of directors and auditors**

As described in the Statement of Directors' Responsibilities, the Company's directors are responsible for the preparation of the accounts in accordance with applicable United Kingdom law and accounting standards.

Our responsibility is to audit the accounts in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

We report to you our opinion as to whether the accounts give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Directors' Report is not consistent with the financial statements, if the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the Company is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

### **Basis of audit opinion**

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the accounts. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the accounts, and of whether the accounting policies are appropriate to the Company's circumstances, consistently applied and adequately disclosed.

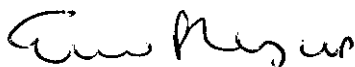
We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the accounts are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the accounts.

## **Hellenic Petroleum Cyprus Limited**

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### **Opinion**

In our opinion the accounts give a true and fair view of the state of affairs of the Company as at 31 December 2003 and of the profit of the Company for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



**Ernst & Young LLP**  
Registered Auditor  
London.

25<sup>th</sup> January 2005

# **Hellenic Petroleum Cyprus Limited**

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## **ACCOUNTING POLICIES**

### **Accounting convention**

The accounts have been prepared in accordance with applicable UK Accounting Standards and the Companies Act 1985.

The accounts have been prepared under the historical cost convention with the exception of tangible fixed assets, which, under the transitional rules of Financial Reporting Standard No. 15 "Tangible Fixed Assets" (FRS 15), are included at their previous valuations. From 2000 it is the Company's policy not to revalue tangible fixed assets. Historical cost accounts show the profits available to shareholders and are the most appropriate basis for presentation of the Company's balance sheet.

### **Statement of cash flows**

The Group accounts of the ultimate parent undertaking contain a consolidated cash flow statement. The Company has taken advantage of the exemption granted by the Financial Reporting Standard No.1 (Revised), whereby it is not required to publish its own cash flow statement.

### **Group accounts**

Group accounts are not submitted as the Company is exempt from the obligation to prepare group accounts under Section 228(1) of the Companies Act 1985. The results of the subsidiary undertaking are dealt with in the consolidated accounts of the ultimate parent undertaking, Hellenic Petroleum S.A., a company registered in Greece.

The accounts present information about the Company as an individual undertaking and not about the group.

### **Stock valuation**

Stocks are valued at cost to the Company using the first-in-first-out method, or at net realisable value, whichever is the lower.

### **Revenue recognition**

Revenues associated with the sale of petroleum products and all other items are recognised when the title passes to the customer.

### **Foreign currencies**

Assets and liabilities of foreign currency branches are translated into sterling at closing rates of exchange. Income statements are translated at average rates of exchange.

Exchange differences resulting from the retranslation of net investments in foreign currency branches at closing rates of exchange, together with the difference between the profit and loss account translated at average rate and at closing rate, are dealt with in reserves. Exchange gains and losses arising on long-term foreign currency borrowings used to finance the company's foreign currency investments are also dealt with in reserves.

All exchange gains or losses on settlement, or translation at closing rates of exchange of monetary assets and liabilities, are included in the determination of profit for the year.

# **Hellenic Petroleum Cyprus Limited**

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## **ACCOUNTING POLICIES (continued)**

### **Depreciation**

Tangible assets, other than freehold land, are depreciated on the straight line method over their estimated useful lives. The Company undertakes a review for impairment of a fixed asset if events or changes in circumstances indicate that the carrying amount of the fixed asset may not be recoverable. To the extent that the carrying amount exceeds the recoverable amount, that is, the higher of net realisable value and value in use, the fixed asset is written down to its recoverable amount. The value in use is determined from estimated discounted future net cash flows.

### **Maintenance expenditure**

Expenditure on major maintenance, refits or repairs is capitalised where it enhances the performance of an asset above its originally assessed standard of performance; replaces an asset or part of an asset which was separately depreciated and which is then written off; or restores the economic benefits of an asset which has been fully depreciated. All other maintenance expenditure is charged to income as incurred.

### **Environmental liabilities**

Environmental expenditures that relate to current or future revenues are expensed or capitalised as appropriate. Expenditures that relate to an existing condition caused by past operations and that do not contribute to current or future earnings are expensed.

Liabilities for environmental costs are recognised when environmental assessments or clean-ups are probable and the associated costs can be reasonably estimated. Generally, the timing of these provisions coincides with the commitment to a formal plan of action or, if earlier, on divestment or on closure of inactive sites. The amount recognised is the best estimate of the expenditure required.

Where the liability will not be settled for a couple of years, the amount recognised is the present value of the estimated future expenditure.

### **Leases**

Rentals under operating leases are charged against income as incurred.

### **Pensions and other retirement benefits**

The Company makes a provision for the regular service cost of its employees based on an actuarial estimate. As explained in note 18 to the accounts, the amounts so recognised will be transferred to the new schemes that the Company will set up following the split of the existing schemes between the Company and BP.

## **Hellenic Petroleum Cyprus Limited**

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### **ACCOUNTING POLICIES (continued)**

#### **Deferred tax**

Deferred tax is recognised in respect of timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or a right to pay less tax in the future.

In particular:

- Provision is made for tax on gains arising from the revaluation of fixed assets, and gains on disposals of fixed assets that have been rolled over into replacement assets, only to the extent that, at the balance sheet date, there is a binding agreement to dispose of the assets concerned. However, no provision is made where, on the basis of all available evidence at the balance sheet date, it is more likely than not that the taxable gain will be rolled over into replacement assets and charged to tax only where the replacement assets are sold;
- Provision is made for deferred tax that would arise on remittance of the retained earnings of overseas subsidiaries, associated undertakings and joint ventures only to the extent that, at the balance sheet date, dividends have been accrued as receivable;
- Deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the underlying timing differences can be deducted.

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates enacted or substantively enacted at the balance sheet date.

## **Hellenic Petroleum Cyprus Limited**

### **PROFIT AND LOSS ACCOUNT for the year ended 31 December 2003**

	Note	2003 STG£	2002 STG£
<b>Turnover</b>	1	95.700.619	116.303.541
Cost of sales		(81.575.808)	(95.941.018)
<b>Gross profit</b>		14.124.811	20.362.523
Distribution and marketing expenses		(9.671.795)	(14.145.449)
Other income	3	4.453.016 17.642	6.217.074 214.527
<b>Operating profit</b>		4.470.658	6.431.601
Profit on disposal of fixed assets	4	-	3.353.577
<b>Profit on ordinary activities before interest and tax</b>		4.470.658	9.785.178
Interest payable and similar charges	5	(73.616)	(122.092)
<b>Profit before taxation</b>		4.397.042	9.663.086
Taxation	6	(1.861.341)	(2.970.666)
<b>Profit for the year</b>		2.535.701	6.692.420
Distribution to shareholders		(4.900.000)	(3.364.254)
<b>Retained (deficit)/ profit for the year</b>		(2.364.299)	3.328.166

### **STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES for the year ended 31 December 2003**

	2003 STG£	2002 STG£
<b>Profit for the year</b>	2.535.701	6.692.420
Currency translation differences	1.133.451	1.012.138
<b>Total recognised gains and losses for the year</b>	<u>3.669.152</u>	<u>7.704.558</u>

The profit for the year is not materially different from the result on an unmodified historical cost basis.

# Hellenic Petroleum Cyprus Limited

## BALANCE SHEET at 31 December 2003

	Note	2003 STG£	2002 STG£
<b>Fixed assets</b>			
Tangible assets	8	13.630.053	10.428.024
Investments	9	429.834	406.091
		<u>14.059.887</u>	<u>10.834.115</u>
<b>Current assets</b>			
Stocks	10	4.779.520	5.195.076
Debtors	11	12.342.054	7.669.594
Cash at bank and in hand		8.860.463	7.354.818
		<u>25.982.037</u>	<u>20.219.488</u>
<b>Creditors - amounts falling due within one year</b>	12	<u>(22.026.444)</u>	<u>(13.585.015)</u>
<b>Net current assets</b>		<u>3.955.593</u>	<u>6.634.473</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<u>18.015.480</u>	<u>17.468.588</u>
Deferred tax (liability)/asset	6	<u>(1.662.996)</u>	<u>114.744</u>
<b>SHAREHOLDERS' INTEREST</b>		<u>16.352.484</u>	<u>17.583.332</u>
<b>Represented by</b>			
<b>Capital and reserves</b>			
Called up share capital	14	4.433.450	4.433.450
Revaluation Reserve	15	219.420	219.420
Other Reserves		931.444	931.444
Profit and loss account		<u>10.768.170</u>	<u>11.999.018</u>
<b>SHAREHOLDERS' FUNDS - EQUITY INTERESTS</b>	15	<u>16.352.484</u>	<u>17.583.332</u>



A. Pegasiou  
Director

25/1/..... 2005

# Hellenic Petroleum Cyprus Limited

## NOTES TO THE ACCOUNTS

at 31 December 2003

### 1. Turnover

Turnover, which is stated net of value added tax and associated petroleum revenue duties and taxes, comprises amounts invoiced to third parties, all of which falls within the European geographic area.

Included in turnover are provisions made by the Company for any under / over recovery of profits made by the Company that is recoverable / refundable through the Price Negotiations Balance Sheet adjustment (PNBS) mechanism that was operated by the government for the oil industry in Cyprus, until May 2004.

Turnover is attributable to one activity, the purchasing and selling of petroleum products to the local market. The turnover for 2002, relating to aviation, marine and commercial lubricants, amounts to STG£38.335.000

### 2. Operating profit

This is stated after charging/ (crediting):

	2003 STG£	2002 STG£
Operating lease rentals:		
Land and buildings	1.378.818	1.099.286
Plant and machinery	9.464	7.935
Depreciation of owned fixed assets	1.204.658	1.028.032
Auditors' remuneration:		
Audit fees – current fees	40.490	23.913
Difference in exchange	(1.124.699)	(99.584)

Difference in exchange arises on imports of crude and products which are invoiced in US Dollars and represents variations in the parity of US Dollar to Cyprus Pound on settlement of amounts due to suppliers or on short-term loans raised to finance such imports. Such amounts although created from transactions falling under the ordinary activities of the Company, are disclosed by virtue of their size.

Included in marketing and distribution expenses of 2002, are compensation and redundancy payments made by the Company during the year, as detailed in note 7.

The operating profit for 2002, relating to aviation, marine and commercial lubricants, amounts to STG£1.733.000

### 3. Other income

	2003 STG£	2002 STG£
Income from parent and fellow subsidiary undertakings	-	97.191
Bank interest	17.642	38.116
Other interest (on tax overpaid)	-	79.220
	<u>17.642</u>	<u>214.527</u>

# Hellenic Petroleum Cyprus Limited

## NOTES TO THE ACCOUNTS at 31 December 2003

### 4. Exceptional items

Exceptional items comprised profit on disposal of fixed assets.

	2003 STG£	2002 STG£
Profit on disposal of fixed assets	-	3.353.577
Taxation charge	-	(139.566)
Exceptional items net of tax	-	3.214.011

The profit on sale of fixed assets in 2002 arose due to the disposal of eight service stations in that year. See note 20, dissolution of partnership and mandatory divestment.

### 5. Interest payable and similar charges

	2003 STG£	2002 STG£
Bank loans and overdrafts	28.887	33.201
Other loans	38.559	85.268
Other interest	6.170	3.623
	73.616	122.092

### 6. Taxation

#### (a) United Kingdom Taxation

Until 31 December 2002 the company was a member of the BP Group of companies, for the purposes of relief under Section 402 of the Income & Corporation Taxes Act 1988. On this basis, no corporation tax was provided because another member of the BP group, BP International Limited had undertaken procure the claim or surrender of free group relief to the extent it is required and to provide for any current tax arising. Following the company's departure from the BP group, the undertaking from BP International Limited ceased to apply. As such, the company has provided for deferred tax in 2002 and for current and deferred tax in 2003 in respect of UK corporation tax.

#### (b) Current year tax charge

	2003 STG£	2002 STG£
<b>UK Corporation Tax</b>		
UK Corporation Tax on profits of the period	769.623	-
Double Taxation Relief	(320.286)	-
	449.337	-
<b>Foreign Tax</b>		
Current Year	320.286	2.315.165
Adjustment in respect of previous periods	68.855	(131.027)
	389.141	2.184.138
Total Current Tax	838.478	2.184.138

# Hellenic Petroleum Cyprus Limited

## NOTES TO THE ACCOUNTS at 31 December 2003

### 6. Taxation (continued)

#### *Deferred taxation*

Origination and reversal of timing differences	989.797	889.299
Effect of changes in tax rate on opening liability	-	(2.963)
Prior year adjustment	33.066	(99.808)
	<u>1.022.863</u>	<u>786.528</u>
	<u>1.861.341</u>	<u>2.970.666</u>

#### *Factors affecting current tax charge*

The tax assessed on the current profit on ordinary activities for the period is lower than the standard rate of corporation tax in the UK of 30.00% (2002: 30.00%). The differences are reconciled below.

	2003 STG£	2002 STG£
Profit on ordinary activities before tax	<u>4.397.042</u>	<u>9.663.086</u>
Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 30.00% (2002: 30.00%)	1.319.113	2.898.926
Effect of:		
Expenses not deductible for tax purposes	36.999	(676.416)
Capital Allowances in excess of depreciation	(185.108)	-
Other timing differences	(401.381)	251.521
Group relief received for nil payment	-	(96.631)
Adjustments in respect of prior periods	68.855	(96.631)
Higher taxes on overseas earnings	-	(193.262)
Capital Gains	-	96.631
	<u>838.478</u>	<u>2.184.138</u>
Total current tax		

# Hellenic Petroleum Cyprus Limited

## NOTES TO THE ACCOUNTS at 31 December 2003

### 6. Taxation (continued)

Deferred taxation has been provided in the accounts comprising tax on timing differences as follows:

	2003 STG£	2002 STG£
<i>Analysis of movements during the year:</i>		
At 1 January	641.787	(136.779)
Exchange adjustments	112.470	(9.326)
Accelerated capital allowances	252.897	815.125
Price Negotiations Balance Sheet adjustment	622.777	160.899
Provision for pension contributions	-	(85.227)
Effect of change in tax rates	-	(3.097)
Prior year adjustment	33.066	(99.808)
	<u>1.662.996</u>	<u>641.787</u>
<i>Analysis of provisions:</i>		
Accelerated capital allowances	1.130.429	727.014
Price Negotiations Balance Sheet adjustment	622.777	-
Provision for pension contributions	(90.210)	(85.227)
	<u>1.662.996</u>	<u>641.787</u>
<i>Analysed as follows:</i>		
UK deferred tax liability	1.506.831	756.531
Cyprus deferred tax liability/(asset)	156.165	(114.744)
	<u>1.662.996</u>	<u>641.787</u>

No provision has been made for deferred tax on gains recognised on the revaluation gain on tangible assets. Such tax would become payable only if the assets were sold. The Company estimates that the amount of such tax is currently STG£NIL (2002: STG£ NIL). At present, it is not envisaged that any tax will become payable in the foreseeable future.

# Hellenic Petroleum Cyprus Limited

## NOTES TO THE ACCOUNTS at 31 December 2003

### 7. Directors and employees

	2003 STG£	2002 STG£
(a) Remuneration of directors:		
Total paid in respect of three directors (2002: one director) with an overseas service contract:		
Total earnings for year	246.255	220.030
Compensation for loss of office	-	597.826
	<u>246.255</u>	<u>817.856</u>

The remaining directors received no fees or remuneration for services as directors of the Company during the financial year (2002: STG£NIL).

(b) Employee costs:	2003 STG£	2002 STG£
Wages and salaries	1.677.354	2.742.930
Social security costs	148.770	212.985
Pensions and other retirement benefit costs:		
- to local employees	227.843	74.885
- to employees seconded overseas	-	3.091
- additional funding contribution by the Company (note 18)	-	543.478
Other benefits and contributions	64.813	319.966
Compensations and redundancies	-	994.239
	<u>2.118.780</u>	<u>4.891.574</u>

# Hellenic Petroleum Cyprus Limited

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## NOTES TO THE ACCOUNTS at 31 December 2003

### 7. Directors and employees (continued)

#### *Employee share scheme*

In 2002, BP offered most of its employees the opportunity to acquire a shareholding in BP p.l.c. through the BP ShareMatch Plan. The Company matched employees' own contributions of shares, up to a predetermined limit. The Company's matching contributions during 2002 amounted to STG£31.086 and were included in other benefits and contributions of 2002. Following the change in the Company's ownership, this scheme was terminated on 1 January 2003. All shares attributable to the Company's employees were sold in 2003.

#### *Compensations and redundancies*

These relate to payments made by the Company during 2002 to one director, one member of management and two other employees made redundant.

Payments to the director and the member of management totalling STG£808.152 were ex-gratia as compensation for loss of office. Payments to the two other employees totalling STG£186.087 were made as part of the Employee Collective Agreement.

(c)	Average number of employees during the year (all non-UK):	2003	2002
	Marketing and distribution	<u>57</u>	<u>85</u>

On 1 December 2002, 21 permanent and 7 casual employees were transferred to BP Eastern Mediterranean Limited.

# Hellenic Petroleum Cyprus Limited

## NOTES TO THE ACCOUNTS

at 31 December 2003

### 8. Tangible assets

	Freehold Land & Buildings STG£	Buildings on Leasehold Land STG£	Fixtures & Fittings STG£	Plant & Machinery STG£	Computer Software STG£	Total STG£	of which: Assets under construction STG£
<b>Cost</b>							
At 1 January 2003	4,002,551	2,766,226	153,975	12,125,992	-	19,048,744	79,437
Exchange adjustments	233,931	162,191	9,295	744,399	12,867	1,162,683	15,938
Additions	5,905	172,858	27,397	2,849,872	693,742	3,749,774	662,726
Disposals	(10,706)	(148,408)	(11,620)	(940,588)	-	(1,111,322)	(53,766)
At 31 December 2003	4,231,681	2,952,867	179,047	14,779,675	706,609	22,849,879	704,335
<b>Depreciation</b>							
At 1 January 2003	390,295	1,957,909	152,062	6,120,454	-	8,620,720	-
Exchange adjustments	23,240	113,198	8,742	359,964	626	505,770	-
Charge for the year	33,388	79,533	3,595	1,054,378	33,764	1,204,658	-
Disposals	(10,706)	(148,408)	(11,620)	(940,588)	-	(1,111,322)	-
At 31 December 2003	436,217	2,002,232	152,779	6,594,208	34,390	9,219,826	-
<b>Net book amount</b>							
At 31 December 2003	3,795,464	950,635	26,268	8,185,467	672,219	13,630,053	704,335
At 31 December 2002	3,612,256	808,317	1,913	6,005,538	-	10,428,024	79,437
Principal rates of depreciation:	5%	2½ % - 10%	15%	5%-20%	33,33%		

# Hellenic Petroleum Cyprus Limited

## NOTES TO THE ACCOUNTS at 31 December 2003

### 8. Tangible assets (continued)

On implementation of FRS 15 in 2000, the Company did not adopt a policy of revaluation. Under the transitional provisions of FRS 15, the Company retained the carrying amounts of tangible fixed assets which reflect previous revaluations.

The last revaluation of all fixed assets other than those in territories occupied by Turkish forces was carried out as at 1 January, 1987. Land was revalued by an independent professional valuer and other fixed assets by the Company by using appropriate cost indices.

Had no revaluation taken place the comparative historical cost position of total assets as at 31 December, 2003 would have been as follows :

	Carrying Amount STG£	Historical Cost STG£
Cost	22,849,880	20,893,643
Depreciation	(9,219,827)	(9,397,449)
Net book amount	<u>13,630,053</u>	<u>11,496,194</u>

Included in tangible assets above:

- (a) land which is not depreciated of STG£3,435,122 at 31 December 2003 (2002: STG£3,245,370)
- (b) freehold land, buildings and other assets which are in territories occupied by Turkish forces following the invasion of Cyprus in July, 1974.

The ultimate effect of occupation on the value of these assets is unknown.

	Cost STG£	Depreciation STG£	Net STG£
At 31 December 2003	<u>286,403</u>	<u>280,478</u>	<u>5,925</u>
At 31 December 2002	<u>270,583</u>	<u>264,985</u>	<u>5,598</u>

# Hellenic Petroleum Cyprus Limited

## NOTES TO THE ACCOUNTS

at 31 December 2003

### 9. Fixed assets – investment in subsidiary undertaking shares

	2003 STG£	2002 STG£
<i>At cost:</i>		
At 1 January	406.091	380.170
Exchange adjustments	23.743	25.921
At 31 December	<u>429.834</u>	<u>406.091</u>

Details of the investment in the subsidiary undertaking, which is unlisted, are as follows:

	% of Ordinary Shares	Country of Incorporation	Principal Activities
Superlube Ltd	65	Cyprus	Blending of lubricating oils

In the opinion of the directors, the value of shares in the Company's subsidiary is not less than the amounts at which they are shown in the balance sheet.

### 10. Stocks

	2003 STG£	2002 STG£
Petroleum	<u>4.779.520</u>	<u>5.195.076</u>

The difference between the carrying value of stocks and their replacement cost is not material.

### 11. Debtors

	2003 STG£	2002 STG£
Trade	8.266.501	5.465.011
Parent and fellow subsidiary undertakings	-	220.620
Prepayments and accrued income	575.261	442.915
Cyprus taxation on profit refundable	425.986	-
Other	3.074.306	1.541.048
	<u>12.342.054</u>	<u>7.669.594</u>

## **Hellenic Petroleum Cyprus Limited**

### **NOTES TO THE ACCOUNTS at 31 December, 2003**

#### **12. Creditors : amounts falling due within one year**

	2003 STG£	2002 STG£
Trade	3.755.553	4.806.693
Subsidiary undertaking	149.780	11.430
Parent and fellow subsidiary undertakings	1.036.963	353.517
Bank loan and overdrafts	4.626.892	1.248.332
Other loans	2.120.769	2.306.600
Accruals and deferred income	2.450.577	1.112.335
Cyprus taxation of profits	-	855.715
UK Taxation on profits	457.509	-
UK Deferred tax (note 6)	-	756.531
Other	2.528.401	2.133.862
Dividends	4.900.000	-
	<u>22.026.444</u>	<u>13.585.015</u>

#### **13. Operating lease commitments**

At 31 December the Company had annual commitments under non-cancellable operating leases for land and buildings as set out below:

	2003 STG£	2002 STG£
Expiring:		
Within 1 year	78.687	32.340
Between 2 to 5 years	240.971	284.414
Thereafter	651.729	597.385
	<u>971.387</u>	<u>914.139</u>

# Hellenic Petroleum Cyprus Limited

## NOTES TO THE ACCOUNTS

at 31 December 2003

### 14. Called up share capital

	2003 STG£	2002 STG£
Authorised, allotted, called up and fully paid: 443,345 Ordinary Shares of STG£10 each	<u>4,433,450</u>	<u>4,433,450</u>

### 15. Reconciliation of shareholders' funds and movements on reserves

	Equity Share Capital STG£	Revaluation Reserve STG£	Other Reserves STG£	Profit and Loss Account STG£	Total STG£
At 1 January 2002	4,433,450	219,420	931,444	7,658,714	13,243,028
Profit for the year	-	-	-	6,692,420	6,692,420
Currency translation differences	-	-	-	1,012,138	1,012,138
Distribution to shareholders	-	-	-	(3,364,254)	(3,364,254)
At 1 January 2003	4,433,450	219,420	931,444	11,999,018	17,583,332
Profit for the year	-	-	-	2,535,701	2,535,701
Currency translation differences	-	-	-	1,133,451	1,133,451
Distribution to shareholders	-	-	-	(4,900,000)	(4,900,000)
At 31 December 2003	<u>4,433,450</u>	<u>219,420</u>	<u>931,444</u>	<u>10,768,170</u>	<u>16,352,484</u>

Other Reserves include Special Reserve of STG£490,259 (2002: STG£490,259) and General Reserve of STG£441,185 (2002: STG£441,185).

In January 2004, a dividend of STG£4,900,000 was paid to the shareholders.

### 16. Capital commitments

Authorised future capital expenditure is estimated at:

	2003 STG£	2002 STG£
Contracted for	-	1,250,000
Not contracted for	<u>2,278,113</u>	<u>1,684,091</u>

**NOTES TO THE ACCOUNTS**  
**at 31 December 2003**

**17. Contingent liabilities**

A substantial claim was made by Petrolina (Holdings) Ltd against the rest of the oil industry with regard to the distribution of the compensation paid by the Government to cover the oil industry's losses from PNBS products, mainly incurred during the period 2000/2002. Due to a disagreement between Petrolina (Holdings) Ltd and the rest of the oil industry on the percentages to be used by the Government to split the payment among the individual companies, it was decided that the payments be made on a provisional basis and finalised upon the decision made by an arbitrator who would be appointed for this purpose by the oil industry and whose decision would be final and binding.

The oil companies made several attempts to appoint an arbitrator but with no success. On 22 January 2003 the claimants, through their lawyers, addressed a letter to Hellenic Petroleum Cyprus Ltd, ExxonMobil Cyprus Inc and Mobil Oil Cyprus Ltd referring again the matter to arbitration and proposing as sole arbitrator a former member of the Supreme Court. The defendants rejected the proposed nomination and the Company suggested, through their own lawyers, that another arbitrator would be appointed. So far the arbitrator has not been agreed by the parties and neither has the claim been withdrawn.

The Company's lawyers expressed the opinion that the outcome of any arbitration cannot be predicted as the issue is very complex. At the same time the lawyers expressed the opinion that the claim cannot be regarded as groundless but as a matter which presents both difficulties and significant dangers. The Company concurs with this opinion.

The total claim made by Petrolina (Holdings) Ltd, as described in a letter by their lawyers dated 23 May 2003, is STG£1.356.818 plus interest. On the basis claimed by Petrolina (Holdings) Ltd, that is to be used for the apportionment of the payments to the industry, i.e. the white oil products market shares, the whole amount is payable by the Company, less an amount already paid to Petrolina (Holdings) Ltd of STG£139.773, in excess of Petrolina's entitlement.

There are several other claims made against the Company for which legal action has been taken but the Company does not expect to incur any substantial loss.

In addition, the Company was contingently liable in respect of guarantees provided to third parties of STG£204.474 (2002: STG£473.864).

# Hellenic Petroleum Cyprus Limited

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## NOTES TO THE ACCOUNTS

at 31 December 2003

### 18. Pensions and other retirement benefits

The Company contributes to staff schemes in respect of its operations in Cyprus, which are of an overall defined benefit type. The charge to the profit and loss account for the year is STG£227.843 (2002: STG£77.976).

As part of the Share Purchase Agreement between BP p.l.c. and Hellenic Petroleum International A.G. (the "Agreement", see note 21), the existing retirement benefit schemes for all retired and active employees (including employees that remain under the employment of the Company) were transferred to BP Eastern Mediterranean Ltd of Cyprus which has become the Founding Company of the schemes as from 1 December 2002. This was subject to the consent of the local regulatory authorities. In accordance with the Agreement, the Company is committed to set up its own retirement benefit schemes for its current active employees (other than those employees who will elect to continue to be members of the current BP schemes), equivalent to the existing ones, that will provide benefits for future service that are no less favourable overall than those provided by BP under the existing arrangements. The Company's new schemes will recognise the employee's credited service, participation vesting and as applicable, benefit accrual periods of service, which will accrue in BP's retained arrangement in which the Company will participate as a Member Company until the setting up of its own schemes. For the period of participation, the Company pays the normal funding costs (i.e. current service costs), assuming that the schemes are neither in surplus or deficit.

Under the Agreement, BP procured that a transfer of assets in respect of benefits accrued as of 31 December 2002, is made from its current schemes to the Company's new schemes with the amount of such transfer to be calculated at the expiration of any period of participation and paid in cash unless otherwise agreed. As part of negotiations with the Employee Trade Unions for the execution of the Agreement, the Company made a provision of STG£543.478 in 2002 for extra funding to be contributed to the new schemes to allow for notified discretionary practices, mainly for providing increased pension benefits in line with price inflation. The provision of STG£601.402 is included in other creditors and will be paid to the new schemes when these are set up.

The above arrangements were subject to the consent of the local regulatory authorities. Recently, the local regulatory authorities have given their consent for the split of the old existing staff schemes. The Company and BP are currently in the process of finalising the arrangements and splitting the schemes. In the context of the above, the two companies have commissioned an actuary valuation of the scheme liabilities for each company as at 31 December 2002. The valuation was carried out by a qualified independent actuary on an on-going valuation basis using the projected unit credit valuation method and the following main assumptions:

	% p.a.
Price inflation	3
Salary increases relative to price inflation	1,5
Discount rate	6,5
Pension increases	Nil

# Hellenic Petroleum Cyprus Limited

## NOTES TO THE ACCOUNTS

at 31 December 2003

### 18. Pensions and other retirement benefits (Cont.)

The valuation showed that the value of the Company's scheme liabilities as at 31 December 2002 was STG£2.087 thousand. As explained above, this amount has been agreed by BP to be paid to the Company's new schemes that will be set-up with interest at 6,0% p.a. until the actual transfer is made.

The Company has also recently commissioned an actuarial valuation of its scheme liabilities as at 31 December 2003. The valuation was carried out by a qualified independent actuary on an on-going valuation basis using the projected unit credit valuation method and the following main assumptions:

	% p.a.
Price inflation	2,5
Salary increases relative to price inflation	2,5
Discount rate	5
Pension increases	2,5

The valuation showed that the value of the Company's Scheme liabilities as at 31 December 2003 was STG£3.693 thousand. Taking into account the above, the deficit in the schemes as at 31 December 2003 is estimated at STG£720 thousand, as follows:

	STG thousand
Assets to be transferred to the new schemes upon their setting-up:	
Amounts owed by BP, as agreed:	
- as at 31 December 2002	2.087
- interest at 6,0%	125
	<hr/>
	2.212
Provisions included in other creditors	761
	<hr/>
Total estimated assets	2.973
Present value of scheme liabilities	(3.693)
	<hr/>
Estimated deficit in the schemes	(720)
	<hr/>

According to the actuarial valuation, the future service contribution rate to cover the current service cost of the employees is estimated at 9,8% of pensionable pay. The actuary recommended an additional contribution at 3,6% of pensionable pay to allow for the amortisation of the deficit over the expected future working lifetime of the current employees. For 2004, the Company decided to contribute STG£361 thousand to cover part of the deficit and to continue its contributions to cover the regular services cost based on the actuary's recommendation.

### 19. Related party transactions

The Company has taken advantage of the exemption contained within Financial Reporting Standard No. 8 "Related Party Disclosures" (FRS 8), and has not disclosed transactions with group companies. There were no other related party transactions in the year.

## **Hellenic Petroleum Cyprus Limited**

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### **NOTES TO THE ACCOUNTS**

**at 31 December 2003**

#### **20. Dissolution of Partnership and mandatory divestment**

As a result of the Mobil and Exxon Corporation merger in prior years, Mobil gave an undertaking to the European Commission to reach an agreement with BP p.l.c. for the sale of Mobil's interests in the fuels elements of the various joint ventures and partnerships in Europe or the dissolution of such joint ventures and partnerships.

In the context of the above, the Company and Mobil Oil Cyprus Ltd agreed that on 1 October 2001 S.D.S. Oils J.V. be dissolved and the Company purchase certain of the assets of Mobil Oil Cyprus Ltd, including 22 service stations and the whole LPG Business with economic effect from 1 January 2000.

In accordance with the agreements signed between the two parties, in 2001 the Company paid Mobil Oil Cyprus Ltd for the purchase of fixed assets (STG£3.109.213) and Mobil Oil Cyprus Ltd paid the Company for the net cash flows for the period from 1 January 2000 up to 30 September 2001 (STG£654.696).

As a condition to the acquisition by the Company of the 22 service stations and the whole LPG business from Mobil Oil Cyprus Limited, the Council of Ministers of the Republic of Cyprus, by means of an Order published on 7 September 2001, directed the Company and ExxonMobil Cyprus Inc. to divest 15 service stations to a new entrant in the local market. This was subsequently increased to 16 at the request of ExxonMobil and the Company, so they would share the divestment burden equally.

Following the invitation, submission and evaluation of tenders (jointly with ExxonMobil), the Company sold 8 stations to Lukoil Cyprus Limited on 1<sup>st</sup> July 2002, realising a profit on disposal in 2002 of STG£3.353.577.

#### **21. Ultimate parent undertaking**

The ultimate parent undertaking of the group of undertakings for which group accounts are drawn up, and of which the Company is a member, is Hellenic Petroleum S.A., a company registered in Greece. Copies of Hellenic Petroleum S.A. accounts can be obtained from its Registered office, 17<sup>th</sup> Km National Road Athens-Corinth, 19 300 Aspropyrgos, Athens, Greece.

The ultimate parent undertaking of the group of undertakings for which group accounts were drawn up, and of which the Company was a member up to 31 December 2002, was BP p.l.c., a company registered in England and Wales.

On 31 December 2002, under the Share Purchase Agreement between BP p.l.c., Hellenic Petroleum International A.G. and Hellenic Petroleum S.A., the called up share capital of BP Cyprus Limited was sold to Hellenic Petroleum International A.G., a company registered in Austria which is in turn a 100% subsidiary of Hellenic Petroleum S.A., a company registered in Greece.

On the same date, the Company was renamed to Hellenic Petroleum Cyprus Limited.